

INGENUITY PREP PUBLIC CHARTER SCHOOL

WASHINGTON, D.C.

COMPARATIVE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Directors
Ingenuity Prep Public Charter School
4600 Livingston Road, SE
Washington, DC 20032

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Ingenuity Prep Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

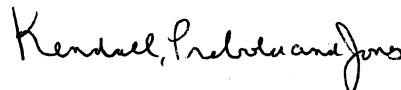
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ingenuity Prep Public Charter School, as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. In addition, the accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Ingenuity Prep Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ingenuity Prep Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 6, 2015

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,016,342	\$ 281,909
Accounts Receivable	94,550	84,734
Grants Receivable	69,540	76,346
Promises Receivable	-	151,000
Prepaid Expenses	<u>22,963</u>	<u>22,148</u>
Total Current Assets	<u>\$ 1,203,395</u>	<u>\$ 616,137</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 222,434</u>	<u>\$ 198,392</u>
Total Fixed Assets	<u>\$ 222,434</u>	<u>\$ 198,392</u>
<u>Other Assets:</u>		
Deposit	<u>\$ 11,200</u>	<u>\$ 10,000</u>
Total Other Assets	<u>\$ 11,200</u>	<u>\$ 10,000</u>
TOTAL ASSETS	<u>\$ 1,437,029</u>	<u>\$ 824,529</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 98,552	\$ 82,172
Payroll Taxes and Related Liabilities	11,141	6,336
Accrued Salaries	66,149	63,925
Short-Term Loan Payable	<u>-</u>	<u>50,000</u>
Total Current Liabilities	<u>\$ 175,842</u>	<u>\$ 202,433</u>
Total Liabilities	<u>\$ 175,842</u>	<u>\$ 202,433</u>
<u>Net Assets:</u>		
Unrestricted	\$ 1,211,187	\$ 622,096
Temporarily Restricted	<u>50,000</u>	<u>-</u>
Total Net Assets	<u>\$ 1,261,187</u>	<u>\$ 622,096</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,437,029</u>	<u>\$ 824,529</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>			<u>June 30, 2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 3,621,808	\$ -	\$ 3,621,808	\$ 1,912,003	\$ -	\$ 1,912,003
Federal Entitlements and Grants	640,086	-	640,086	388,313	-	388,313
State Government Grants	33,612	-	33,612	8,436	-	8,436
Private Grants and Contributions	300,325	50,000	350,325	625,923	-	625,923
Donated Services	62,953	-	62,953	30,643	-	30,643
Donated Fixed Assets	14,831	-	14,831	5,844	-	5,844
Student Program Fees and Other	2,482	-	2,482	3,979	-	3,979
Interest Income	341	-	341	17	-	17
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	-	-	-	148,206	(148,206)	-
Total Revenues, Gains and Other Support	<u>\$ 4,676,438</u>	<u>\$ 50,000</u>	<u>\$ 4,726,438</u>	<u>\$ 3,123,364</u>	<u>\$ (148,206)</u>	<u>\$ 2,975,158</u>
<u>Expenses:</u>						
Educational Services	\$ 3,802,896	\$ -	\$ 3,802,896	\$ 2,366,490	\$ -	\$ 2,366,490
General and Administrative	202,982	-	202,982	118,026	-	118,026
Fundraising	81,469	-	81,469	30,137	-	30,137
Total Expenses	<u>\$ 4,087,347</u>	<u>\$ -</u>	<u>\$ 4,087,347</u>	<u>\$ 2,514,653</u>	<u>\$ -</u>	<u>\$ 2,514,653</u>
Changes in Net Assets	\$ 589,091	\$ 50,000	\$ 639,091	\$ 608,711	\$ (148,206)	\$ 460,505
Net Assets, Beginning of Year	<u>622,096</u>	<u>-</u>	<u>622,096</u>	<u>13,385</u>	<u>148,206</u>	<u>161,591</u>
Net Assets, End of Year	<u>\$ 1,211,187</u>	<u>\$ 50,000</u>	<u>\$ 1,261,187</u>	<u>\$ 622,096</u>	<u>\$ -</u>	<u>\$ 622,096</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 639,091	\$ 460,505
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:		
Depreciation	67,783	36,777
Accounts Receivable - (Increase)/Decrease	(9,816)	(84,734)
Grants Receivable - (Increase)/Decrease	6,806	(16,150)
Promises Receivable - (Increase)/Decrease	151,000	(148,280)
Prepaid Expenses - (Increase)/Decrease	(815)	(1,450)
Deposit - (Increase)/Decrease	(1,200)	-
Accounts Payable - Increase/(Decrease)	16,380	41,688
Payroll Taxes and Related Liabilities - Increase/(Decrease)	4,805	5,626
Accrued Salaries - Increase/(Decrease)	<u>2,224</u>	<u>63,925</u>
Net Cash Flows from Operating Activities	<u>\$ 876,258</u>	<u>\$ 357,907</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (91,825)</u>	<u>\$ (164,429)</u>
Net Cash Flows from Investing Activities	<u>\$ (91,825)</u>	<u>\$ (164,429)</u>
<u>Cash Flows from Financing Activities:</u>		
Reduction of Short-term Loan	<u>\$ (50,000)</u>	<u>\$ -</u>
Net Cash Flows from Financing Activities	<u>\$ (50,000)</u>	<u>\$ -</u>
Net Increase in Cash and Cash Equivalents	\$ 734,433	\$ 193,478
Cash and Cash Equivalents at Beginning of Year	<u>281,909</u>	<u>88,431</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,016,342</u>	<u>\$ 281,909</u>

Supplemental Disclosures:

- a) No interest was paid during the years ended June 30, 2015 and 2014.
- b) No income taxes were paid during the years ended June 30, 2015 and 2014.

Non-Cash Disclosures:

- a) The purchase of fixed assets as presented in Investing Activities during the years ended June 30, 2015 and 2014 includes the value of donated fixed assets in the amount of \$14,831 and \$5,844, respectively.
- b) Financing activities include the conversion of a short-term loan in the amount of \$50,000 to a contribution as a result of the forgiveness of the loan.

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

The Ingenuity Prep Public Charter School (The Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on January 13, 2012, exclusively for educational purposes. The Public Charter School operates as part of the District of Columbia Public School System. The mission of the Ingenuity Prep Public Charter School is to challenge Washington, DC, area youth to be critical-thinking, compassionate, and collaborative civic leaders who act with integrity and strive to positively impact their local and global communities through a rigorous college preparatory curriculum, including a major focus on the development of 21st century skills and knowledge.

The School's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government. The School also receives federal entitlement funding through the Office of the State Superintendent of Education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25, (formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value.

The Charter School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Federal and Charter School Funding

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance. Federal entitlements are recognized based on the allowable costs incurred.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Summer School Program

The Charter School's model offers an extended-day and extended-year schedule, providing increased opportunities to deliver rigorous instruction, enrichment, and remediation. Over the course of a school year, students at the Charter School benefit from 33% more learning time than their peers at neighboring District schools. As a result of the extended schedule, the Charter School does not have a traditional summer school. Therefore the funds received for summer school are recognized the same as other per pupil revenue, which is earned in the year the school term is conducted.

Before and After Care Fees

The Charter School's school day runs from 8:00 a.m. to 4:30 p.m. Monday through Thursday and 8:00 a.m. to 1:50 p.m. on Friday. To provide additional learning opportunities and support the needs of parents and families, the Charter School partnered with the YMCA to provide before and after care at the school building - with before care beginning at 7 a.m. daily and after-care beginning each day at dismissal and running through 6 p.m. While the Charter School's school day is free and open to all residents of the District of Columbia, participation in the before and after care program through the YMCA does require a weekly membership fee, which ranges from full-tuition to reduced tuition based on the National School Lunch Program Guidelines.

(c) Corporate Taxes:

The Ingenuity Prep Public Charter School is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective January 3, 2012. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The organization has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The School did not have any net unrelated business income for the year ended June 30, 2015.

The Ingenuity Prep Public Charter School is also exempt from District of Columbia sales and personal property taxes.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia Government. These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants: (Continued)

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(e) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, (formerly SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at year end for the following purpose:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
General Education - Time Restricted	\$ 50,000	\$ -
Total	<u>\$ 50,000</u>	<u>\$ -</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by occurrence of other events specified by donors for the following activities:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Walton Family Foundation- Start-up Grant	\$ -	\$ 148,206
Total	<u>\$ -</u>	<u>\$ 148,206</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2015 or 2014.

(f) Donated Services and Materials:

Donated services and material are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Legal Services	\$ 62,953	\$ 30,643
Fixed Assets	<u>14,831</u>	<u>5,844</u>
Total	<u>\$ 77,784</u>	<u>\$ 36,487</u>

(g) Basic Programs:

Ingenuity Prep Public Charter School prepares Washington, DC, youth to be strong, dynamic civic leaders who will positively impact their local and global communities. With this aim, the school opened in Washington, DC, in August of 2013 and intends on expanding to serve over 600 students in Preschool through 8th grade.

Through highly-effective, data-driven instruction and the following strategies, the school addresses the learning needs of its student body:

- The school offers an extended-day (8 a.m.-5 p.m.) and extended year (200 days + 20 days for students below grade-level) schedule, providing increased opportunities to deliver rigorous instruction, enrichment and remediation for a wide-range of content.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

- In addition to strong programs in literacy and math, students take classes aimed at cultivating 21st century skills. All students take Civic Leadership, a class focused on social-emotional competency, team problem-solving, and service learning; Information, Media, & Technology Literacy, a class aimed at making students critical information age consumers and high-capacity users of technology; and a foreign language class. Additionally, 21st century themes of financial, health, and environmental literacy are integrated across content areas.
- Utilizing a blended learning model, the school creatively organizes classroom instruction. In the literacy and math classrooms, teachers harness high-quality online learning programs and digital content to provide adaptive delivery of instruction targeted at students' individual needs and respective zones of proximal development. Through a rotational model, instruction is delivered to small groups of students, with an approximate student-teacher ratio in these groups of 8:1 during the literacy and math blocks and 16:1 in all other content areas.
- Students at the school engage in an empowering learning experience designed to promote independence and agency. At the beginning of each year, students set individual learning goals within each content area. Across the year, students track progress against their goals, gathering evidence of and data points for that progress to include in a digital portfolio. Upon meeting designated achievement benchmarks in their classrooms (outlined by teachers at the beginning of each term), students earn the right to move to one or a combination of the following opportunities: peer coaching, individual research, and applied, collaborative projects.

(h) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries, payroll taxes and employee benefit plans are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, student and family support, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Functional Expense Allocation Policies and Procedures: (Continued)

All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

Other expenses that are not directly identifiable by program are allocated based on management estimates of use of resources. For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for either personnel expenses or occupancy expenses is utilized for cost allocation purposes.

(i) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Fundraising:

During the years ended June 30, 2015 and 2014, expenses incurred for the purpose of fundraising were \$81,469 and \$30,137, respectively.

(k) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(l) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(m) Advertising Costs:

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of staff recruitment, promoting open enrollment and recruiting to the Charter School and to provide outreach to the community. Marketing expenses in the amount of \$11,890 and \$11,191 were incurred during the years ended June 30, 2015 and 2014, respectively.

(n) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC No. 740-10, [formerly Interpretation No. 48 (FIN 48)], *Accounting for Uncertainty in Income Taxes*, which is an interpretation of ASC 740's (formerly SFAS No. 109), *Accounting for Income Taxes*. FASB ASC No. 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Charter School's financial statements in accordance with ASC 740's and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC No. 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Charter School's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority.

The Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2015, the statute of limitations for tax years 2012 and 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2015, the Charter School had no accruals for interest and/or penalties.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Checking Account - Non Interest Bearing	\$ 515,985	\$ 181,892
Savings Account	<u>500,357</u>	<u>100,017</u>
Total	<u>\$ 1,016,342</u>	<u>\$ 281,909</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with original maturities of three months or less.

The Charter School maintains its operating funds in one financial institution in the form of a non-interest bearing business checking and a savings account. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2015 and 2014, \$771,244 and \$37,654, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Organization has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2015 and 2014, consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Accounts Receivable</u>		
Per Pupil Funding - Special Education	\$ 92,168	\$ 53,798
Per Pupil Funding - Summer School	-	26,788
Other	<u>2,382</u>	<u>4,148</u>
Total	<u>\$ 94,550</u>	<u>\$ 84,734</u>
<u>Grants Receivable</u>		
Charter School Planning and Implementation Grant (Title V, Part B)	\$ -	\$ 35,091
Scholarship for Opportunity and Results Act (SOAR)	38,701	17,333
National School Lunch Program	22,404	19,431
Schoolwide Entitlement Funds	3,625	-
Healthy Schools Act	1,059	1,417
E-Rate Discount Program	<u>3,751</u>	<u>3,074</u>
Total	<u>\$ 69,540</u>	<u>\$ 76,346</u>

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the balance of the accounts and grants receivable at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2015 and 2014.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable:

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Next Generation Learning Challenge	\$ -	\$ 150,000
Other - Unrestricted	<u>-</u>	<u>1,000</u>
Total Promises Receivable	<u>\$ -</u>	<u>\$ 151,000</u>

The above unconditional promises receivable are all due in less than one year. In addition, the Charter School received the following conditional promises to give that are not recognized as assets in the financial statements:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Ensuring Sustained School Growth	\$ 450,000	\$ 600,000
Next Generation Learning Challenge	<u>-</u>	<u>73,000</u>
Total Conditional Promises Receivable	<u>\$ 450,000</u>	<u>\$ 673,000</u>

5. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any other resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2015 and 2014 was \$67,783 and \$36,777, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2015:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Classroom Furnishings	7 Years	\$ 127,632	\$ 23,668	\$ 103,964
Computer and Office Equipment	3-7 Years	<u>200,389</u>	<u>81,919</u>	<u>118,470</u>
Total		<u>\$ 328,021</u>	<u>\$ 105,587</u>	<u>\$ 222,434</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. FIXED ASSETS: (Continued)

June 30, 2014:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Classroom Furnishings	7 Years	\$ 100,878	\$ 6,081	\$ 94,797
Computer and Office Equipment	3-7 Years	<u>135,319</u>	<u>31,724</u>	<u>103,595</u>
Total		<u>\$ 236,197</u>	<u>\$ 37,805</u>	<u>\$ 198,392</u>

6. SHORT-TERM LOAN PAYABLE:

On July 1, 2012, the Charter School obtained an unsecured non-interest-bearing loan with the New Schools Venture Fund in the amount of \$50,000. This loan was obtained for the purpose of obtaining working capital in the start-up and planning phases of the Charter School. The entire amount of \$50,000 was due to be paid on November 15, 2014. On July 11, 2014, the New Schools Venture Fund approved to convert the loan into an unrestricted contribution.

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Schools fiscal management and academic acceptability. The contract dated July 24, 2013, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about July 24, 2028. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that Ingenuity Prep is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years, with the first such review scheduled for 2018. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2015 and 2014, the Charter School incurred \$42,980 and \$11,565, respectively, in administrative fees.

The charter contract provides that Ingenuity Prep may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2015, was not permitted to be greater than 216 students. Audit enrollment for the 2014/2015 year was 201 students and enrollment for the 2013/2014 year was 108 students.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2015, the per-student rate ranged from \$9,492 to \$12,719 for the education allotment and \$3,072 for the facility allotment. Additional allotments were made for Special Education Services. Per-pupil funding for the years ended June 30, 2015 and 2014 was as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Grade Level - Pre-School - Kindergarten	\$ 2,307,125	\$ 1,315,550
Facilities Allowance	617,472	324,000
Special Education	374,114	108,980
At Risk Students	313,663	-
Summer School	<u>9,434</u>	<u>163,473</u>
Total	<u>\$ 3,621,808</u>	<u>\$ 1,912,003</u>

9. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2015 and 2014, the Charter School participated in multiple federal award programs. Federal revenues recognized during the years ended June 30, 2015 and 2014 were as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Charter School Planning and Implementation Grant (Title V, Part B)	\$ 250,000	\$ 250,000
NCLB- Entitlement Funds (Title I)	22,259	33,128
NCLB- Entitlement Funds (Title II)	94,188	7,500
Individuals with Disabilities Education Act (IDEA)	17,077	13,315
National School Lunch Program	137,761	67,037
Scholarships for Opportunity and Results Act (SOAR)	<u>118,801</u>	<u>17,333</u>
Total	<u>\$ 640,086</u>	<u>\$ 388,313</u>

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS:

Building Lease - 4600 Livingston Road, SE (Patricia Roberts Harris Building):

The Charter School entered into a sub-sublease rental agreement on May 13, 2013, effective December 2, 2012, with the Charter School Incubator Initiative (the sublessee) for the rental of a school facility (53,280 square feet) located at 4600 Livingston Road, SE, in Washington, DC. The terms of this agreement were effective through June 30, 2014, at which time the Charter School exercised the option to renew the agreement for two additional years through June 30, 2016. As a requirement of this lease, a total rental security deposit of \$5,000 was made. This lease calls for quarterly lease payments of eighty-percent (80%) of an annual usage fee for the years ended June 30, 2015 and 2014. Quarterly lease payments will be ninety-percent (90%) of the annual usage fee thereafter. The annual usage fee represents an amount equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received from the DC Government. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. Rent expense on this lease for the years ended June 30, 2015 and 2014, was \$493,978 and \$259,200, respectively.

Photocopier Lease:

The Charter School entered into an operating lease with Canon Financial Services, Inc., on May 14, 2013, for the rental of a Canon Image Runner Photocopier C5255. This lease calls for sixty (60) monthly payments of \$329, commencing on June 1, 2013. Rental expense for the years ending June 30, 2015 and 2014, was \$3,945 and \$3,916, respectively. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2016	\$ 3,945
2017	3,945
2018	<u>3,616</u>
Total	<u>\$ 11,506</u>

Photocopier Lease:

The Charter School entered into an operating lease with Canon Financial Services, Inc., on July 11, 2013, for the rental of a Canon Image Runner Advance Photocopier 6275. This lease calls for sixty (60) monthly payments of \$354, commencing on August 1, 2013. Rental expense for the years ending June 30, 2015 and 2014 was \$4,252 and \$3,842, respectively. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2016	\$ 4,252
2017	4,252
2018	4,252
2019	<u>354</u>
Total	<u>\$ 13,110</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

Organization Credit Card:

The Charter School utilizes a credit card issued by the Bank of America for purchases related to the Organization's activity. The credit card is issued in the name of the Organization with a combined credit limit of \$30,000 and is considered to be unsecured.

11. CONCENTRATIONS:

Revenues:

The Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2015 and 2014, seventy-six percent (76%) and sixty-four percent (64%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DC PCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

12. CONTINGENCIES:

The Charter School was granted its initial charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect the School's ability to finance ongoing operations.

The School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the School. While the School's board of directors and management believes the School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. CONTINGENCIES: (Continued)

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

13. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 6, 2015, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

Enrollment:

Enrollment for the 2015/2016 school year is projected to be approximately two hundred eighty-eight (288) students. These enrollment numbers are up from the current enrollment number of two hundred one (201) students during the 2014/2015 school year.

14. RELATED PARTY TRANSACTIONS:

New Schools Venture Fund:

Conditional Promise

The New Schools Venture Fund, for whom the School's Board Chair is the managing director of the District of Columbia site as well as a principal, made a total conditional promise in the amount of \$750,000 for the purpose of the ensuring sustained school growth. As of June 30, 2015, payments totaling \$300,000 were made from the New Schools Venture Fund to the Charter School, of which \$300,000 has been recognized as revenue. The remaining balance of \$450,000 has not yet been paid by the New Schools Venture Fund. This conditional promise will not be recognized as an asset in the financial statements until such time the conditions upon which the grant was made are met.

Short-Term Loan

The New Schools Venture Fund provided a non-interest bearing short-term loan on July 1, 2012 to Ingenuity Prep Public Charter School for the purpose of providing working capital during the planning and start-up phases of the Charter School. The balance outstanding at June 30, 2014 was \$50,000 and was considered to be due on November 15, 2014. During the year ended June 30, 2015, the New Schools Venture Fund forgave the loan and converted it into a grant for the Charter School.

Contributions

Various board members of the Charter School and organizations for which they are affiliated, made contributions to the School. Such contributions of \$22,195 and \$12,180 were made during the years ended June 30, 2015 and 2014, respectively.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS: (Continued)

Board of Directors:

Two of the board members appointed to serve on the board of directors are parents of students attending the Charter School. Parent trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board.

These transactions were conducted on an arm's length basis and there is no quid pro quo.

15. RETIREMENT PLAN:

401(k) Profit Sharing Plan:

The Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by Automatic Data Processing (ADP). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. All employees are eligible to participate upon hiring. Plan provisions call for a dollar for dollar match up to three percent (3%) of eligible wages. Plan provisions and contribution requirements are established and may be amended by the board members of the Charter School. Employees are fully vested after five full years of service. There is no unfunded past service liability. The amount of employer contributions for the years ended June 30, 2015 and 2014, was \$23,233 and \$20,883, respectively.

16. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2015 and 2014, consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Social Security/Medicare	\$ 147,733	\$ 92,768
Health Insurance	121,824	67,357
Life and Disability Insurance	10,460	4,304
Dental Insurance	10,081	-
Retirement	23,233	20,883
Unemployment	13,597	10,350
Workers Compensation	<u>7,280</u>	<u>4,114</u>
Total	<u>\$ 334,208</u>	<u>\$ 199,776</u>

Flexible Benefits Plan:

The Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for medical premiums and dependent care expenses.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Rent	<u>\$ 493,978</u>	<u>\$ 259,200</u>
Total	<u>\$ 493,978</u>	<u>\$ 259,200</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	June 30, 2015				June 30, 2014			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
Personnel, Salaries and Benefits:								
Executive Leadership Salaries	\$ 318,100	\$ 274,100	\$ 32,670	\$ 11,330	\$ 212,700	\$ 171,575	\$ 30,490	\$ 10,635
Teaching Staff Salaries	1,316,884	1,316,884	-	-	692,399	692,399	-	-
Student and Family Support Salaries	49,348	49,348	-	-	110,682	110,682	-	-
Business and Operations Salaries	284,194	202,330	42,672	39,192	216,502	187,885	19,881	8,736
Employee Benefits	172,878	161,824	6,617	4,437	96,658	91,188	3,951	1,519
Payroll Taxes	161,330	151,014	6,175	4,141	103,118	97,282	4,215	1,621
Travel and Meetings	29,966	28,993	973	-	26,253	26,153	100	-
Staff Development Expense	149,652	149,652	-	-	83,748	83,748	-	-
Total Personnel, Salaries and Benefits	\$ 2,482,352	\$ 2,334,145	\$ 89,107	\$ 59,100	\$ 1,542,060	\$ 1,460,912	\$ 58,637	\$ 22,511
Direct Student Costs:								
Textbooks	\$ 65,516	\$ 65,516	\$ -	\$ -	\$ 70,356	\$ 70,356	\$ -	\$ -
Food Service	177,063	177,063	-	-	107,447	107,447	-	-
Student Supplies and Materials	59,642	59,642	-	-	42,247	42,247	-	-
Student Assessment Materials	7,244	7,244	-	-	5,719	5,719	-	-
Contracted Instruction	201,754	201,754	-	-	77,013	77,013	-	-
Transportation Fees	9,787	9,787	-	-	5,050	5,050	-	-
Other Student Costs	44,268	44,268	-	-	44,173	44,173	-	-
Total Direct Student Costs	\$ 565,274	\$ 565,274	\$ -	\$ -	\$ 352,005	\$ 352,005	\$ -	\$ -
Occupancy Costs:								
Rent	\$ 493,978	\$ 462,394	\$ 18,906	\$ 12,678	\$ 259,200	\$ 244,530	\$ 10,595	\$ 4,075
Total Occupancy Costs	\$ 493,978	\$ 462,394	\$ 18,906	\$ 12,678	\$ 259,200	\$ 244,530	\$ 10,595	\$ 4,075
Office Expenses:								
Office Supplies and Materials	\$ 39,541	\$ 37,013	\$ 1,513	\$ 1,015	\$ 29,666	\$ 27,987	\$ 1,213	\$ 466
Office Equipment Rental and Maintenance	21,556	20,178	825	553	24,169	22,801	988	380
Telephone/Telecommunications	33,324	31,194	1,275	855	14,707	13,875	601	231
Professional Fees	239,815	200,527	35,738	3,550	165,263	136,676	27,825	762
Printing and Publications	29,152	27,288	1,116	748	11,817	11,148	483	186
Postage and Shipping	485	454	19	12	269	253	11	5
Other Office Expense	14,430	13,508	552	370	18,969	17,896	775	298
Total Office Expenses	\$ 378,303	\$ 330,162	\$ 41,038	\$ 7,103	\$ 264,860	\$ 230,636	\$ 31,896	\$ 2,328
General Expenses:								
Insurance	\$ 11,754	\$ 8,228	\$ 3,526	\$ -	\$ 7,178	\$ 5,025	\$ 2,153	\$ -
Authorizer Fee	42,980	-	42,980	-	11,565	-	11,565	-
Depreciation Expense	67,783	63,449	2,594	1,740	36,777	34,695	1,504	578
Other General Expenses	44,923	39,244	4,831	848	41,008	38,687	1,676	645
Total General Expenses	\$ 167,440	\$ 110,921	\$ 53,931	\$ 2,588	\$ 96,528	\$ 78,407	\$ 16,898	\$ 1,223
Total Functional Expenses	\$ 4,087,347	\$ 3,802,896	\$ 202,982	\$ 81,469	\$ 2,514,653	\$ 2,366,490	\$ 118,026	\$ 30,137

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

June 30, 2015

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 3,340,502	\$ 16,619.41
Occupancy Cost	493,978	2,457.60
Management and General	184,076	915.80
Fundraising	<u>68,791</u>	<u>342.24</u>
Total	<u>\$ 4,087,347</u>	<u>\$ 20,335.05</u>

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 201 students.

June 30, 2014

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 2,121,960	\$ 19,647.78
Occupancy Cost	259,200	2,400.00
Management and General	107,431	994.73
Fundraising	<u>26,062</u>	<u>241.31</u>
Total	<u>\$ 2,514,653</u>	<u>\$ 23,283.82</u>

The above is the average per student cost for the year ended June 30, 2014, and is based on a full time equivalent (FTE) enrollment of 108 students.

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal</u>	<u>Pass-Through</u>	<u>Program</u>	<u>Period of Award</u>	<u>Grant</u>	<u>Refundable</u>	<u>Current Year Activity</u>		<u>Grant</u>	<u>Refundable</u>
	<u>CFDA</u>	<u>Grantors</u>	<u>or Award</u>		<u>Receiveable</u>	<u>Advance at</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Receiveable</u>	<u>Advance at</u>
	<u>Number</u>	<u>Number</u>	<u>Amount</u>		<u>at 7/1/14</u>	<u>7/1/14</u>		<u>Expenditures</u>	<u>at 6/30/15</u>	<u>6/30/15</u>
<u>U.S. Department of Education:</u>										
Passed Through the District of Columbia:										
Title I, Part A, Grants to Local Educational Agencies	84.010A	52010A	\$ 94,188	07/01/14 to 09/30/15	\$ -	\$ -	\$ 21,566	\$ 22,259	\$ 693	\$ -
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	52367A	\$ 22,259	07/01/14 to 09/30/15	-	-	91,256	94,188	2,932	-
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	52027A	\$ 16,990	07/01/14 to 09/30/15	-	-	16,990	16,990	-	-
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	52173A	\$ 87	07/01/14 to 09/30/15	-	-	87	87	-	-
State System of Support Best Practices (SOAR)	84.395A	S395A100048	\$ 165,000	01/30/15 to 01/29/16	-	-	39,930	65,748	25,818	-
Increasing Academic Quality (SOAR)	84.370	U370C130001	\$ 99,727	02/21/14 to 02/20/16	17,333	-	57,503	53,053	12,883	-
Title V, Part B, Charter Schools Program	84.282A	U282A100025	\$ 700,000	04/23/12 to 04/22/15	35,091	-	285,091	250,000	-	-
Total U.S. Department of Education					\$ 52,424	\$ -	\$ 512,423	\$ 502,325	\$ 42,326	\$ -
<u>U.S. Department of Agriculture:</u>										
Passed Through the District of Columbia:										
Donated Commodities	10.550	N/A	\$ 4,942	07/01/14 to 07/31/15	\$ -	\$ -	\$ 4,716	\$ 4,716	\$ -	\$ -
Fresh Fruits and Vegetables	10.583	N/A	\$ 12,360	07/11/14 to 07/10/15	-	-	8,619	9,898	1,279	-
School Breakfast Program	10.553	N/A	\$ 38,413	07/11/14 to 07/10/15	-	-	31,758	38,413	6,655	-
School Breakfast Program	10.553	N/A	\$ 19,220	07/11/13 to 07/10/14	5,773	-	5,773	-	-	-
National School Lunch Program	10.555	N/A	\$ 84,734	07/11/14 to 07/10/15	-	-	70,264	84,734	14,470	-
National School Lunch Program	10.555	N/A	\$ 47,817	07/11/13 to 07/10/14	13,658	-	13,658	-	-	-
Total U.S. Department of Agriculture					\$ 19,431	\$ -	\$ 134,788	\$ 137,761	\$ 22,404	\$ -
Total Federal Awards					\$ 71,855	\$ -	\$ 647,211	\$ 640,086	\$ 64,730	\$ -

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 - Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

Note 2 - Major Program Selection:

The major Federal Award Programs selected for testing are as follows:

U.S. Department of Education

- Title V, Part B - Charter Schools Program

U.S. Department of Agriculture

- School Breakfast and National School Lunch Program

The requirements of Office of Management and Budget Circular A-133 requires all major programs as determined by the auditor on a risk-based approach and/or at least 50% (25% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For the Ingenuity Prep Public Charter School, the programs subject to these requirements are as listed above. The total expenditures of these programs represent 58.30% of the total federal expenditures.

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 22,259
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	16,990
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	87
Title V, Part B, Charter Schools Program	84.282A	250,000*
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	94,188
Increasing Academic Quality (SOAR)	84.370	53,053
State System of Support Best Practices (SOAR)	84.395A	65,748
Donated Commodities	10.550	4,716
School Breakfast Program	10.553	38,413*
National School Lunch Program	10.555	84,734*
Fresh Fruits and Vegetables	10.583	<u>9,898</u>
Total Federal Awards		<u>\$ 640,086</u>

* Denotes Major Program

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 3 - Major Program Disclosure:

I. U.S. Department of Education:

1) Title Vb, Charter Schools Program

The program supports the planning, development, and initial implementation, and replication of charter schools and the dissemination of information on charter schools.

II. U.S. Department of Agriculture

1) School Breakfast and National School Lunch Program

The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Directors
Ingenuity Prep Public Charter School
4600 Livingston Road, SE
Washington, DC 20032

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Ingenuity Prep Public Charter School, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ingenuity Prep Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ingenuity Prep Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ingenuity Prep Public Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ingenuity Prep Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 6, 2015

Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Directors
Ingenuity Prep Public Charter School
4600 Livingston Road, SE
Washington, DC 20032

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the Ingenuity Prep Public Charter School's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ingenuity Prep Public Charter School's major federal programs for the year ended June 30, 2015. The Ingenuity Prep Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and in the notes to the Schedule of Expenditures of Federal Awards.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Ingenuity Prep Public Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ingenuity Prep Public Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Ingenuity Prep Public Charter School's compliance.

Opinion on Each Major Federal Award Program

In our opinion, the Ingenuity Prep Public Charter School, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Ingenuity Prep Public Charter School, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Ingenuity Prep Public Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Ingenuity Prep Public Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 6, 2015

INGENUITY PREP PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

There were no audit findings in the prior year.

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on the financial statements of the Ingenuity Prep Public Charter School.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Ingenuity Prep Public Charter School, were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award program have been reported.
- e. The Auditor's report on compliance for the major federal award program for the Ingenuity Prep Public Charter School expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with section 510 (a) of OMB Circular A-133 in the Schedule of Findings and Questioned Costs.
- g. The major programs of the Ingenuity Prep Public Charter School were as follows:

<u>Programs</u>	<u>CFDA #</u>
School Breakfast and National School Lunch Program	10.553/10.555
Title V, Part B, Charter Schools Program	84.282A

- h. The dollar threshold utilized to determine Type A programs was \$300,000.
- i. The Ingenuity Prep Public Charter School did not qualify as a low-risk auditee.

II. Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards

None

III. Findings relating to federal awards, which are required to be reported in accordance with OMB Circular A-133

None